Massachusetts
Taxpayers
Foundation,
Inc.

Second Implementation Review of The Governor's Management Task Force

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Preface

The Second Implementation Review of the Governor's Management Task Force goes beyond the summary of verified financial benefits presented in our first report. This report adds a discussion of findings and describes, by illustration, the reasons for these findings.

Insofar as the review shares some of the characteristics of a management audit, it focuses on problems encountered during the review and so is intended as an aid to management at every level. The intent is to identify areas where response to management improvements has been slow or below expectations.

In the second review, many of the problems that were encountered in the verification process during the initial study were resolved or significantly diminished. Much of the credit for these improvements goes to many in the administration who helped in the verification process despite other pressing responsibilities.

Introduction

At the request of the Directors of the Governor's Management Task Force (GMTF) and Governor Dukakis, the Massachusetts Taxpayers Foundation is reviewing, on a quarterly basis, the implementation of the Task Force recommendations.

This is the second report on the implementation review. The first review was published last May.

The Governor's Management Task Force, a private, nonprofit corporation, funded by 300 of the state's business, educational and professional firms, was established in early 1975. Its task was to analyze state government operations and make recommendations for improving the management of state agencies.

Under the direction of Warren King and Associates, management consultants, volunteer management specialists from Task Force supporters conducted the study from September through October of 1975. GMTF issued its report in May 1976. The report contained 807 recommendations on ways the state could increase savings and revenues, and make improvements in the delivery of services. It is important to note that the Task Force endorsed many projects already in process or under consideration in state government by converting them to recommendations.

The Foundation's first review, from mid-January to mid-April 1977, covered implementation activity during the period ending December 31, 1976. The second review covers activity during the three-month period ending March 31, 1977.

Review Criteria

The first Foundation report discussed in some detail the method of selecting the projects to be reviewed. Briefly, the Task Force recommendations the Foundation agreed to review included: all

those for which the GMTF estimated a net financial impact of $1 million or more, regardless of implementation status; those recommendations for which the Task Force estimated a net financial impact of $100,000 or more, and which state agencies claimed as completed during the period under review; and a representative selection of other recommendations below $1 million on which state agencies claimed to have made some progress.

In applying these criteria, however, the Foundation discovered that too many recommendations were included to permit a complete review of each, and that most recommendations outside the Secretariats of Human Services and Administration and Finance would have been excluded. To allow the Foundation time to examine projects in other secretariats, some recommendations with potential financial benefits of $1 million or more were excluded from this second review. Where possible, emphasis was placed on selecting recommendations with achieved financial benefits. Some recommendations examined during this review had also been examined during the first review.

The Foundation also "audited" several projects important to the operation of state government to which it is difficult to attach dollar benefits, in order to determine their implementation status. Examples include projects to establish management information systems and the various projects related to reducing the AFDC error rate.

The indifferent attitude of some agencies toward reporting the financial benefits of the Task Force recommendations also influenced the Foundation's selection process. In Public Safety, the Foundation was unable to conduct a review because the monitoring of GMTF recommendations was so poor.

Also, in both Educational Affairs and Transportation and Construction, no claims of benefits beyond those made in the first review period were submitted. To determine whether financial benefits had been overlooked, the Foundation selected some recommendations that would produce verifiable benefits. However, savings were verified in

only one instance, since these Secretariats had not prepared documentation before the Foundation's visits.

The projects reviewed fall into several types. Among the most important categories were the following: (1) Those recommendations that would result in policy changes, such as the development of a comprehensive tuition policy in higher education; (2) System implementation, such as the development of a control system for automotive and maintenance supplies in the MDC; (3) Separate efficiency steps, such as the switch to quarterly or annual mailings of tax form packets in the Department of Corporations and Taxation; (4) Cost control measures whose financial impact was predicted on a set of interrelated assumptions which required testing, such as the Department of Public Welfare's computer crosschecks to determine eligibility for public assistance; and (5) Agency reorganizations, such as the reorganization of the Division of Personnel Administration in Administration and Finance and of the Central Office of the Department of Mental Health in Human Services. The appendices illustrate the different types of projects examined and the nature of the review process.

Review Process

The basic sources of information the Foundation used to verify agency claims were: personal interviews with department staff, correspondence and records of financial transactions, documents recording personnel or budget actions, and legislation.

Where projects demanded more complex analysis to verify the financial impact, agencies were asked to develop additional information. For example, to verify savings from the computer file match, the Department of Public Welfare performed a survey of people removed from the welfare rolls as a result of the computer crosscheck of other sources of income in order to determine how long they stayed off the AFDC rolls. (See Appendix #4)

Review Problems

The first Foundation report described some of the general problems encountered in its review of the Task Force recommendations. One of the major difficulties was that the original GMTF study did not provide a method of confirming the financial benefits to be derived through the implementation of recommendations. There was no benchmark by which agencies could measure savings and increased revenues; both fiscal 1975 and fiscal 1976 data were used.

In addition, the state's personnel system does not allow for a clear connection between personnel changes and reductions in expenditures. As a result, the Foundation had to develop different methods and benchmarks for each GMTF recommendation to reflect most accurately the agencies' achievements.

Beyond these general problems inherent in either the Task Force study or the state system were certain specific difficulties which were encountered in some agencies during the first quarterly review. In large part these were the products of the agencies' indifference or inexperience with the review process.

Insufficient attention was given to filling out forms correctly and providing accurate claims and adequate documentation. Agencies were often unprepared for visits by Foundation staff. The intent of some recommendations was diluted to side step taking action on implementing the recommendations. In some cases, recommendations were grouped into unwieldy projects making it difficult to track activity on a single recommendation.

During the second review, agencies worked to resolve some of these difficulties. With more experience, project coordinators had a better grasp of the intent of the review. Forms were filled out more accurately and documentation presented in a more coherent form. Agency personnel showed a greater willingness to cooperate with the Foundation

staff and perform additional tasks required to confirm claims of financial benefits.

Clearly, implementation progress and cooperation during the review were greater where secretariat policy and Task Force recommendations coincided. This was particularly so with Human Services and Environmental Affairs. In Human Services, management efficiency steps comport with the necessity of controlling expenditures in the state's most expensive programs, while in Environmental Affairs, the recommendations were a guide during a transition period for the new secretariat.

Review Findings

In the second review, the Foundation examined most of the new claims of financial benefit asserted by the agencies, some claims made in the first review that had not been audited before, and other claims made in the first review period that had been revised.

In all, 128 of the 538 recommendations that agencies accepted in some form were reviewed in this round. Included in the 128 were 38 recommendations that had been reviewed during the first review that were deemed of sufficient importance either by the agencies or by the Foundation to merit re-examination. In all, during the two review periods, the Foundation covered 168 GMTF recommendations.

The 128 recommendations reviewed in this round represent 34 percent of the total $315 million that the Task Force estimated as recurring, annual benefits. They also represent 17 percent of the $47.9 million the Task Force estimated as one-time financial benefits.

For the recommendations reviewed, agencies claimed $24,417,209 in annual financial benefits and $7,964,000 in one-time benefits to state, federal and local governments. After examining agency-supplied data on the claims, the Foundation took exception, by adjusting the claims either upward or downward, in all but one instance. The

primary reason that the Foundation was forced to take exceptions was that many agency claims had not been adequately reviewed by the internal coordinators (those people responsible for overseeing implementation in the agencies) and the implementation coordinator before the Foundation received them. In some cases, internal coordinators did a thorough job of reviewing the agency claims in the first place, or were able to support the claims at the audit interview when the documentation requirements became clearer. Other internal coordinators seemed to perform only a pass-through function between the project coordinators and the Foundation, offering little or no assistance in documenting benefits. Specific exceptions taken by the Foundation to claimed benefits were usually for one or more of the following reasons:

(1) Adequate documentation was not provided, because either full documentation was unavailable or the agency did not place a high priority on providing the information;

(2) Agency personnel were unable to make a convincing case for their claims;

(3) The Foundation disagreed with the method used in calculating the financial benefits;

(4) Some agencies claimed benefits for actions taken before the GMTF study began;

(5) Agencies did not isolate or account for benefits resulting from changes unrelated to the implementation of the GMTF recommendations, such as the impact of changes in volume on revenues when state fees were increased;

(6) Some claims of annual benefits lacked sufficient documentation to establish that the benefits could be sustained over an extended period and were, therefore, reclassified as one-time benefits until conclusive documentation becomes available;

(7) Agency personnel used estimated figures, while the Foundation used actual figures whenever possible.

The Foundation verified a total of $18,663,619 in annual financial benefits during this review, and $10,855,179 in one-time benefits. Because some of the exceptions taken by the Foundation changed claims from annual to one-time benefits, it is impossible to determine the exact dollar amount of the exceptions. The following chart compares the claimed and verified amounts of annual and one-time savings.

	Total Agency Claims 2nd Review	Foundation Total Verified 2nd Review
Annual	$24,417,209	$18,663,619
One-Time	7,964,000	10,855,179

Of the $18,663,619 in annual financial benefits verified by the Foundation, $1,553,255 was revenue, coming from two recommendations (Administration and Finance No. 69 and Environmental Affairs No. 5). The remaining $17,110,364 in annual benefits were savings and cost avoidances. All of the $10,855,179 in one-time benefits were savings and cost avoidances.

The review by the Foundation also included an examination of separate costs that could be directly attributed to the Task Force recommendations. Agencies claimed $99,000 in annual costs and $174,500 in one-time costs from the recommendations reviewed. The Foundation verified $107,904 in annual costs and $504,395 in one-time costs.

A breakdown of benefits and costs verified by the Foundation during the second review is as follows:

SUMMARY OF VERIFIED FINANCIAL BENEFITS AND COSTS - 2nd REVIEW

	One-Time	Annual	Total
Revenue	$ 0	$ 1,553,255	$ 1,553,255
Savings/Cost Avoidance	$10,855,179	$17,110,364	$27,965,543
Total Benefits	$10,855,179	$18,663,619	$29,518,798
Costs	$ 504,395	$ 107,904	$ 612,299

Adjustments Between Reviews

During the last review, the Department of Mental Health was credited with $340,132 in annual financial benefits and $116,500 in one-time costs for establishing an information base to report depreciation on buildings and equipment at state facilities. Further discussion with the Executive Office of Human Services, which developed this claim, indicated that the Department was already receiving credit for depreciation under Recommendation No. 82, a project to maximize revenue. Thus, the Foundation made a downward adjustment of $340,132 in the amount verified in its first review. The full one-time costs of the consulting contracts to establish the data base are $182,000.

In addition, the Foundation made an upward adjustment of $790,000 in the annual savings achieved by the reduction in the AFDC error rate (Human Services No. 31), raising the annual savings from $6,160,000 to $6,950,000. The original amount verified was based on a preliminary estimate pending the development of final information on the payment error rate for the July to December 1976 review period. (See Appendix #5)

The net adjustments made through the second review are an increase of $449,868 in annual benefits and an increase of $65,500 in one-time costs.

Cumulative Effect

Over the past two quarters, the Taxpayers Foundation has reviewed the financial benefits and the implementation status of 168 recommendations. The total in annual financial benefits claimed for the first review were $53,421,678 and $1,702,500 in one-time benefits. The total agency financial benefits claimed for the second review were $24,417,209 in annual benefits and $7,964,000 in one-time benefits. These claims are not cumulative since adding the totals together would involve double counting in some instances. Through the first and second Foundation reviews, the Foundation has verified a total of $62,034,450 in annual benefits and $12,603,679 in one-time benefits, including adjustments.

Management Issues

Some of the problems that impeded the review, and raised or lowered the total amount of dollar savings verified, are symptoms of broader problems that affect the daily operation of state government. These problems, while not new, bear repetition in the context of the "audit."

The division between program and fiscal people

The verification process requires both program and budget information to document dollar benefits. This calls for an understanding not only of how a program operates, but also of the costs associated with various facets of that operation. In the course of two reviews, the Foundation has noticed that many state personnel lack this dual perspective. Responsibility for the development of documentation rested on too few people, since many "program" people avoided the process. On the other hand, some "fiscal" people lacked sufficient experience with the operation of state programs to present fully the case for a claimed benefit.

Certainly specialization is required in a large bureaucracy. However, this division of responsibility between "program" people and

"fiscal" people has disturbing implications for the operation of state government. It suggests that individuals who are responsible for management of programs may not have the necessary interest or ability to consider the fiscal implications of their decisions. After two years of budget squeezes, it should be obvious that fiscal matters must become a concern of every manager of state resources. The fact that the Task Force implementation and review process has forced a number of state administrators to consider issues related to the financial impact of projects may prove to be one of the most beneficial results of the study.

Collection and Use of Information

Another serious problem encountered by the Foundation is that many agencies have poor information. Data is not collected, not easily retrievable, or not in a usable form. This problem goes beyond the difficulties experienced in verifying financial claims during the review. The data the Foundation needed is information that is, to a large degree, necessary for sound management.

The Personnel System

Many Task Force recommendations involved agency reorganizations in which the savings were connected with reductions in personnel. However, the nature of the state's personnel system made verification of these financial benefits very difficult.

Under the present system, an agency has a pool of legislatively authorized positions and a personnel appropriation. These are not necessarily connected through a coherent staffing pattern. In many cases, the number and type of positions authorized by the Legislature do not coincide with the agency's personnel needs. Furthermore, the personnel appropriation may fall short of the amount necessary to fill all of the authorized positions. Thus, an agency may not be able to specify which vacant positions are funded and which are unfunded. As a result, the

Foundation could not verify savings attributed to leaving positions vacant unless there was a previous pattern of filling them. Furthermore, a functional link was required between changes in the agency staff and the reorganization plan.

Although the personnel system caused confusion for the Foundation during its review, of much greater concern are the obstacles it presents to the efficient management of state government. As long as the Legislature persists in its practice of determining the number and type of positions, agencies will have no incentive to develop staffing plans for budget or management purposes.

TERMINOLOGY

"Complete" -- A GMTF recommendation that was fully implemented, either "as is" or in modified form, by March 31, 1977. In a few cases, the financial benefits of completed recommendations cannot be estimated or verified until a later review because the data is not yet available.

"Incomplete" -- A GMTF recommendation that was listed on a Secretariat Summary Report Form as "complete" but, upon review by the Foundation, was found to be not fully implemented.

"Process" -- Activity directly related to implementation of a GMTF recommendation occurred during the quarter under review (January to March 1977).

"Inactive" -- No activity directly related to implementation of a GMTF recommendation occurred during the quarter under review. The term "inactive" is not necessarily a pejorative one because activity on a particular project may be contingent on implementation of another project.

"Indeterminate" -- No documentation was provided on the status of the project, or it was impossible to determine the status from the documentation provided.

"Nonverifiable" -- The Foundation could not directly link dollar financial benefits to actions taken by an agency in implementing a recommendation. In practice, this term was generally applied to complex reorganizations and the elimination of vacant positions.

In the tables: free-standing figures -- $0,000 -- represent annual savings, cost avoidance or new revenue; underlined figures -- $<u>0,000</u> -- represent one-time savings, cost avoidance or new revenue; figures in parentheses -- ($0,000) -- represent annual costs; figures in parentheses and underlined -- (<u>$0,000</u>) -- represent one-time costs. See key below.

Annual savings/cost avoidance/revenue	$0,000
One-time savings/cost avoidance/revenue	$<u>0,000</u>
Annual costs	($0,000)
One-time costs	(<u>$0,000</u>)

EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE

		Status		Financial Impact			
Recommendation Number	Description	Agency	MTF	Task Force Estimate	Agency Estimate	Agency Claim	MTF Review
Corporations and Taxation							
13, 14, 15, 18	Reorganize Department	Process	Process	$ 1,501,000	$ 630,000	$ none	$ --
21	Corporation Liability Records	Process	Process	83,000	72,000	14,000	19,713
30	Packet Mailing for Tax Forms	Process	Process	123,000	205,000 (78,000)	205,066 (78,000)	207,270 (78,000)
Purchasing Agent's Division							
34, 42	Purchasing Division Reorganization	Process	Process	410,000 (1,000)	140,000 (19,000)	55,638	31,366
37	Contract Services	Inactive	Inactive	5,000,000	none	none	--
Division of Personnel Administration							
49, 50	Evaluation of DPA Functions and Activities	Process	Process	827,000 (200,000)	1,920,000	1,920,000	1,059,615
Pension and Group Insurance							
69	Improve Pension Fund Investment Portfolio	Process	Process	10,000,000	1,500,000	1,495,605	1,495,605
Telecommunications							
126	Telephone Equipment Study	Inactive	Process	1,300,000	1,300,000	29,000 24,000	48,143 31,307
133	Cut Telephone Usage	Process	Process	100,000	100,000	90,000	104,190
Data Processing							
137-155	Data Processing System	Process	Process	3,578,000 (46,000) (1,350,000)	none	none	--

Building Management							
170	Improve Occupancy in State Buildings	Process	Process	$ 2,200,000	$ 250,000	$ 250,000	$ 208,495 (1)
Motor Vehicle Management Bureau							
156-161, 165,167	Motor Pool Management Study	Process	Process	4,082,000 161,000 (2,000)	500,000 (1,500,000)	none	--
162	Bulk Fuel	Process	Process	283,000	177,000	177,000	0
Fiscal Affairs Division							
93-98, 107	Program Budget and Management Reporting	Process	Process	none	none	none	--
101	Single Executive Budget	Process	Process	none	none	none	--
104	Subsidiary Account Structure	Inactive	Inactive	none	none	none	--
			Total:	$29,487,000 161,000 (47,000) (1,552,000)	$ 6,794,000 none (97,000) (1,500,000)	$ 4,236,309 24,000 (78,000) none	$ 3,174,397 31,307 (78,000) --

(1) Excludes $199,615 verified last quarter

EXECUTIVE OFFICE OF HUMAN SERVICES

Recommendation Number	Description	Status: Agency	Status: MTF	Financial Impact: Task Force Estimate	Financial Impact: Agency Estimate	Financial Impact: Agency Claim	Financial Impact: MTF Review
Department of Public Welfare							
21, 54	Timely Case Closing	Complete	Complete	$ 5,205,000	Related to AFDC Error Rate, #31		
27	Computer File Matches	Process	Process	8,800,000 (500,000)	4,000,000	1,664,000	1,526,000 (2) (176,000)
28a, 28b	Increase Frequency of Home Visits and Eligibility Redeterminations	Process	Process	7,500,000 (50,000)	Related to AFDC Error Rate, #31		

29	Client Response System	Process	Process	$ 8,900,000	Related to AFDC Error Rate, #31		
31	Reduce AFDC Error Rate	$ 6,950,000 in annual savings has been verified					
34	Increase Vendor Compliance Reviews	Process	Inactive	360,000	none	none	--
43	Retroactive Nursing Home Recoveries	Complete	Complete	960,000	1,200,000	1,200,000	900,000
46	Medicaid Management Steps	Process	Process	none	24,000,000	15,600,000	13,527,300 (3) 1,573,361 (90,000)
48	Accountability Information Base	Process	Process	3,100,000 (300,000)	Related to AFDC Error Rate, #31		
49	Improved Orientation	Process	Process	5,300,000	Related to AFDC Error Rate, #31		
50	Training			1,500,000	Related to AFDC Error Rate, #31		(6,792)
a	Audiovisual Material Development	Process	Process				
b	Health Education	Process	Process				
c	Clerical Staff Development	Process	Process				
51	Establish Supervisory Training Program	Process	Process	(60,000)	Related to AFDC Error Rate, #31		
63	Improve Federal Reimbursement Controls and Reporting Function	Process	Process	none	none	none	--
			Sub-total:	$41,625,000 none (60,000) (850,000)	$29,200,000 none none none	$18,464,000 none none none	$15,144,050 2,382,611 -- (272,792)

(3) Includes $90,750 achieved savings to date.

Rate Setting Commission

73, 74	Review Long Term Care Facility Rates and Flat Rate System	Process	Process	none	1,100,000	none	--

Recommendation Number	Description	Agency	MTF	Task Force Estimate	Agency Estimate	Agency Claim	MTF Review
Department of Mental Health							
77	Reorganization (Central Office)	Process	Indeterminate	$ 2,797,000	$ 530,000	$ 530,000	$ 0
80	Improve Budget Appropriation Account	Process	Process	2,000,000	none	none	--
85	Consolidate Laundry Facilities in DMH and DPH	Process	Process	1,800,000 (119,000)	1,526,000 (143,000)	none	--
86	Improve Overall Property Management	Process	Process	2,270,000	500,000	43,000	18,630
Department of Public Health							
97	Reduce State Contribution to Fixed Overhead Costs at Department Hospitals	Process	Process	1,800,000	none	none	--
Youth Services							
139	Training	Process	Process	none (60,000)	none (20,000) (100,000)	none (137,500)	-- (137,500)
140	Contract Standards	Process	Process	none	none	none	--
Corrections							
143	Increase Ratio of Officers to Inmates	Process	Process	6,500,000	none	none	--
163	Increase Inmate Participation in Industries	Process	Indeterminate	811,000	741,000	none	--
Commission for Blind							
173	Make Sheltered Workshops Cost Effective	Process	Process	250,000	200,000 50,000	30,000 40,000	36,761 (4)

(4). . . .

Veterans' Benefits

177	Pursue Additional Federal Benefits	Process	Indeterminate	1,100,000	1,500,000	none	--
			Sub-total:	$19,328,000 none none (179,000)	$ 6,097,000 50,000 (20,000) (243,000)	$ 603,000 40,000 none (137,500)	$ 18,630 36,761 -- (137,500)
			Total:	$60,953,000 none (60,000) (1,029,000)	$35,297,000 50,000 (20,000) (243,000)	$19,067,000 40,000 none (137,500)	$15,162,680 2,419,372 -- (410,292)

EXECUTIVE OFFICE OF ELDER AFFAIRS

		Status		Financial Impact			
Recommendation Number	Description	Agency	MTF	Task Force Estimate	Agency Estimate	Agency Claims	MTF Review
3	Specialized Training	Process	Process	none	none	none	--
8	Management Information System	Process	Process	none	none	none	--
			Total:	none	none	none	--

EXECUTIVE OFFICE OF EDUCATIONAL AFFAIRS

		Status		Financial Impact			
Recommendation Number	Description	Agency	MTF	Task Force Estimate	Agency Estimate	Agency Claims	MTF Review
1, 2, 4, 5, 6, 7, 29, 30	Reorganization			4,461,000	none	none	--
(b)	Reorganize Postsecondary Education Commission	Complete	Complete				
(c)	Coordinate Postsecondary Occupational Education with State Economic & Wage Earner Needs	Process	Process				

(e)	Develop Comprehensive Tuition Policy	Process	Process				
(f)	Develop Planning Context to Define Student Demand and Institutional Growth	Process	Process				
40, 58, 70	Eliminate Unnecessary Positions within Higher Education Institutions	Process	Indeterminate	6,100,000	none	none	--
Department of Education							
16	Expand Role of the Bureau of External Audit	Process	Process	none	2,000,000 (75,000)	none	--
			Total:	$10,561,000 none none none	$ 2,000,000 none (75,000) none	none none none none	-- -- --

EXECUTIVE OFFICE OF MANPOWER AFFAIRS

Recommendation Number	Description	Status: Agency	Status: MTF	Financial Impact: Task Force Estimate	Financial Impact: Agency Estimate	Financial Impact: Agency Claim	Financial Impact: MTF Review
8, 48	Electronic Recording Equipment	Process	Process	$ 294,000 (73,000)	$ 100,000 (40,000)	$ 52,000 (37,000)	0 (37,633)
12, 13, 16, 17, 18, 22	Reorganize Health and Safety and Wage and Hour Laws Inspections Functions	Process	Process	638,000	150,000	100,000	74,170 (11,100) (3,070)
39	Restructure Industrial Accident Board	Process	Process	180,000	150,000	53,000 (21,000)	0 (18,804)
			Total:	$ 1,112,000 none none (73,000)	$ 400,000 none none (40,000)	$ 205,000 none (21,000) (37,000)	$ 74,170 -- (29,904) (40,703)

EXECUTIVE OFFICE OF CONSUMER AFFAIRS

Recommendation Number	Description	Status: Agency	Status: MTF	Financial Impact: Task Force Estimate	Financial Impact: Agency Estimate	Financial Impact: Agency Claims	Financial Impact: MTF Review
7	Monitor Consumer Complaints	Process	Complete	16,000	none	none	--
23	Combining Divisions within the Banking Department	Complete	Complete	77,000	40,000	16,000	11,954 (5)
25	Evaluate Effectiveness of Present Exam Procedures	Process	Process	none	(70,000)	none	(53,400)
			Total:	$ 93,000	$ 40,000	$ 16,000	$ 11,954
				none	none	none	--
				none	none	none	--
				none	(70,000)	none	(53,400)

(5) Achieved savings to date

EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS

Recommendation Number	Description	Status: Agency	Status: MTF	Financial Impact: Task Force Estimate	Financial Impact: Agency Estimate	Financial Impact: Agency Claims	Financial Impact: MTF Review
5	Adopt New Fee Schedule (DEM)	Complete	Complete	780,000	480,000	136,000	57,650 (6)
6, 65, 66, 67, 69, 70	Implement Secretariat Recreation Policy (DEM,MDC)	Process	Process	1,348,000 7,900,000	384,000 7,900,000	384,000 7,900,000	425,374 8,365,000
9	Increase Fees for Out of State Users of Park Facilities (DEM)	Process	Process	50,000	none	none	--
10	Centralize Payroll, Budget and Bookkeeping (DEQE)	Process	Process	none	24,400	24,000	40,323
13	Develop Management Tracking System (DEQE)	Process	Process	none (7,000)	none	none	--

(6) Achieved income to date

15	Establish a Centralized Administrative and Public Information Function (DFWRV)	Process	Process	199,000	125,100	47,600	27,964
31	Reorganize Department of Food and Agriculture	Process	Process	175,000	300,900	300,900	102,107
44	Control System for Automotive and Maintenance Supplies (MDC)	Process	Process	75,000	25,000	none	--
47	Improved Consultant Contract Management (MDC)	Process	Inactive	350,000	none	none	--
50	Renegotiate Electric Power Contract (MDC)	Process	Process	750,000 (50,000)	576,000	none	--
			Total:	$ 3,727,000 7,900,000 (7,000) (50,000)	$ 1,915,400 7,900,000 none none	$ 892,900 7,900,000 none none	$ 653,418 8,365,000 -- --

EXECUTIVE OFFICE OF TRANSPORTATION AND CONSTRUCTION

Recommendation Number	Description	Status: Agency	Status: MTF	Financial Impact: Task Force Estimate	Financial Impact: Agency Estimate	Financial Impact: Agency Claims	Financial Impact: MTF Review
Department of Public Works							
22	Install Synchrosensors in Salt Spreaders	Process	Indeterminate	720,000 (520,000)	100,000 (520,000)	none	--
Massport							
50	Fleet Maintenance	Process	Process		none	none	--
52	Reduce Secretarial Ratio	Process	Indeterminate		36,000	none	--
Turnpike Authority							
77	Replace Full Size Cars with Compacts	Process	Process		none	none	3,000 39,500

Total:	$ 720,000	$ 136,000	$ none	$ 3,000
	none	none	none	39,500
	none	none	none	--
	(520,000)	(520,000)	none	--
Grand total:	$106,653,000	$46,582,400	$24,417,209	$18,663,619
	8,061,000	7,950,000	7,964,000	10,855,179
	(114,000)	(192,000)	(99,000)	(107,904)
	(3,224,000)	(2,373,000)	(174,500)	(504,395)
Adjustments:				449,868
Adjustments:				(65,500)

Appendix 1

Administration and Finance - Corporation and Taxation

Recommendation No. 30 - Packet Mailing for Tax Forms

Agency financial impact claim -	$205,066	Annual Savings/ Cost Avoidance
	78,000	Annual Costs
Review finding	207,270	Annual Savings/ Cost Avoidance
	78,000	Annual Costs

The savings achieved from this project represent the reduction in postage expenses realized in switching over from monthly first class mailings of certain tax forms to quarterly or annual mailings of packets of these forms at bulk rate.

The costs involved are for the printing of the packets. The cost of the previous system could not be determined.

Verification of such a straightforward project should not have been difficult.

The Foundation needed only cost figures for both methods along with back-up explaining how these numbers were derived. However, both the internal coordinator and project coordinator did not recognize the Foundation's need for complete documentation.

The figures for the cost of mailing were initially supplied without the necessary explanation. Only after repeated requests did the Foundation receive information concerning the number of pieces of mail involved and the exact costs of each mailing system.

The unnecessary difficulties experienced in examining

this project highlight the crucial role played by the internal coordinator in the review process. Clarification of the Foundation's needs by the coordinator to colleagues within the state system has been a great help in avoiding such difficulties in other agencies.

Appendix 2

Administration and Finance - Division of Personnel Administration
Recommendation Nos. 49 and 50 - Evaluation of DPA Functions and Activities

Agency financial impact claim -	$1,920,000	Annual Savings/ Cost Avoidance
Review finding	1,059,615	Annual Savings/ Cost Avoidance

The Division of Personnel Administration (DPA) was created in July 1975 by merging the Civil Service Division (CSD) and the Bureau of Personnel and Standardization (BPS). The GMTF recommendations incorporated the Division's early efforts to restructure the two merged agencies into a more cohesive and structurally sound unit.

The DPA claim of $1,920,000 was based primarily on the use of reversions (money not spent in one budget year that returns to the General Fund in the next) and a reduction in authorized personnel. The Foundation has found the use of reversions to be a problem because reversions do not necessarily indicate any improvement in management through implementation of a GMTF recommendation. Reversions may occur because the Legislature may appropriate more funds than the agency's spending requires, or because of the elimination of, or reduction in, agency functions. Conversely, the lack of a reversion in an account does not necessarily indicate a lack of benefits through implementation of the GMTF recommendation, because excess funds may have to be allocated to meet other agency needs.

The method the Foundation used to verify financial benefits for these recommendations differed significantly from that used by the DPA in making its claims. The Foundation measured the financial benefits of these recommendations through

the decrease in expenditures for the DPA in fiscal 1977 over the combined expenditures for the CSD and BPS in fiscal 1975. This approach is justifiable since these recommendations involve the entire scope of the DPA's functions and activities, and not simply some isolated or independent functions.

The combined fiscal 1975 expenditure level for CSD and BPS was $5,315,805. The DPA's fiscal 1977 expenditure (actual figures through June 10 and estimated for June 11 through June 30) was $4,477,690. The major decreases were in the following accounts: 01 (salaries, permanent personnel), 02 (salaries, other), 03 (services, non-employees), 08 (heat and building operations), and 16 (rentals). The actual difference in total spending is $838,115, but, because of the substantial collective bargaining increase and bonus granted in fiscal 1977 (totaling $221,500 for DPA), the savings figure was adjusted upward for a more accurate comparison.

Finally, it should be noted that some of the expenditure reductions made by DPA were accomplished by transferring some DPA functions to the personnel units of other state agencies and municipalities.

Appendix 3

Administration and Finance - Fiscal Affairs Division

Recommendation No. 104 - Subsidiary Account Structure

Agency financial impact claim - None

Review finding Inactive

This recommendation was chosen for review by the Foundation because it involves an area of the state government, the budgetary process, that holds great potential for improving the management of the Commonwealth. It was "in process" in the first quarter but "inactive" in the second. The Foundation chose to review it, in part, because it was concerned about progress on such an important recommendation.

The recommendation, as modified by the Fiscal Affairs Division, calls for revising the subsidiary account structure to reflect a program budget approach, while also reducing the number of subsidiary accounts from 20 to ten. The ten proposed subsidiaries would be:

<u>Personal Services and Related Costs</u>

11 Salaries -- Permanent, Temporary, Other
12 Employees and Retirement Benefits
13 Services -- Non-employees

<u>Operations Supplies, Services and Other Costs</u>

21 Purchased Supplies, Services and Other Costs
22 Plant Maintenance, Repairs and Replacements
23 Equipment Purchases and Rentals and Other Rentals

<u>Public Assistance Payments and Care Services</u>

31 Direct Payments to Recipients
32 Purchases of Care and Services

<u>State Aid</u>

41 State Aid to Cities and Towns and Locally-Related Costs

<u>Capital Outlay and Debt Service</u>

51 Capital Outlay and Debt Service

Under the proposal, the state would continue to use all of the current expenditure codes but they would be grouped appropriately under the new subsidiaries.

In order for any change in the account structure to take effect, however, both the House and Senate Ways and Means Committees must approve it. Although the proposal in its present form has been submitted to the Committees for the past two fiscal years, the Committees have not acted on it.

Appendix 4

Human Services - Department of Public Welfare

Recommendation No. 27 - Computer File Match

Agency financial impact claim -	$1,664,000	Annual Savings/ Cost Avoidance
Review finding	1,526,000	Annual Savings/ Cost Avoidance
	176,560	One-time Costs

Since July 1976, the Welfare Department has periodically checked the list of those receiving AFDC benefits against the lists of those receiving aid through other programs, or those employed by the state. Where duplication is found, the recipient is dropped from the welfare rolls. From the first and second matches, the Department grossed $138,000 in monthly savings by dropping recipients of Unemployment Compensation (DES), and $57,000 in monthly savings through matches with Social Security, Veterans Services, and agency personnel. Savings figures for the third file match, involving Unemployment Compensation recipients and state personnel, have not been finally determined.

The Welfare Department's initial claim of savings was obtained by multiplying the gross savings from the DES matches by 12 months. Even though the $1,526,000 verified by the Foundation is close to the Department's claim, it was obtained in a different way. The Foundation, before verifying this claim, asked 1) for some documendation to support the assumption that the DES cases would remain off welfare for 12 months, and 2) that Social Security, Veterans Services, and agency personnel matches be included in the savings figure.

To satisfy the first request, the Department followed up on a sample of cases closed because of DES matches. The

survey showed that of the cases closed from the first match, 24 percent came back on the welfare roll within one month of closing, 7 percent came back on in the second month, 3 percent came back on in the fourth month, and none came back on the roll thereafter.

The same breakdown was not done for the sample from the second match, but the review which was done indicates that the trend in both matches is comparable. In order to reflect accurately the savings from the file match, the percentages listed above were applied to $138,000 in the appropriate month. The average percentage of cases that close by themselves every month, 2.4%, was also applied each month. Both these figures were subtracted from the gross monthly savings figure since they both represent amounts that should not be claimed as savings. Finally, the monthly figures for the 12 months were added to produce the adjusted annual savings for the DES file matches. This process yields a total annual savings for the first and second DES matches of $925,000.

The remaining $601,000 in annual savings the Foundation verified is in benefits saved from Social Security, Veterans Services, and agency personnel matches. This figure is based on the $57,000 in monthly savings, adjusted by the 2.4 percent of cases that would normally close, for 12 months. The percentages of returning cases derived from the samples of DES cases are not applicable to these matches since they involve longterm aid programs or salaried employment.

The one-time costs of $176,560 for this project represent the expenses over two years (FY 1976 and FY 1977) of instituting this project and purchasing computer time. According to the Department, the matches will be done "in-house" by September.

Included in the $1,526,000 in savings and $176,569 in costs verified this quarter are $416,000 in savings and $75,000 in costs that were included as verified figures in the Foundation's first quarterly report on implementation.

The ability to verify this larger amount was because of an attitude of greater cooperation between the Department and the Foundation, as illustrated by the Department's willingness to carry out the survey of cases closed because of the DES matches.

Appendix 5

Human Services - Department of Public Welfare

Recommendation No. 31 - Reduce the Aid to Families with Dependent Children (AFDC) Error Rate

Adjusted annual savings verified - $6,950,000

The determination of the error rate is a federally mandated management activity that measures separately (1) the proportion of cases with an error because of ineligibility, overpayments, or underpayments, and (2) the amount of money paid incorrectly as a proportion of the total payments. To compute both case and payment error rates, the Department's Quality Control Unit uses a random sample of AFDC cases reviewed over a six-month period. The more important measurement for the calculation of savings is the payment error rate.

A substantial portion of payment errors, though technically in error under federal quality control standards, are actually "paper errors" in the sense that correcting them would not necessarily involve closing a case or changing a grant. Consequently, a reduction in these payment errors does not affect expenditures. Therefore, in measuring savings for the purpose of the Foundation's quarterly reviews, the Department subtracted the percentage of paper errors from the payment error rate. Then the percentage of underpayments was subtracted to arrive at the net payment error rate. The final percentage of payments made in error in the review sample was applied to the total cost of AFDC grants in the six-month period covered by the Quality Control sample.

The savings reported from the reduction in the payment error rate represent the additional amount of money that would have been spent in error in calendar 1976 had the error rate not been reduced. In the base period for the determination of savings,

July through December 1975, the nonpaper payment error rate was 8.3 percent of expenditures. In the subsequent review period, January through June 1976, the rate was 6.84 percent of expenditures, down 1.46 percent. In the next period, July through December 1976, the rate was 6.48 percent, down 1.82 percent from the base period. By applying these percentage reductions in the error rate to AFDC expenditures, the Department determined that $2.97 million in unnecessary costs were avoided in the second review period, and $3.98 million in the third review period. Altogether $6.95 million was actually saved in 1976.

The Foundation verified only $6,160,000 million in savings from the reduction of the error rate in its first review because a preliminary estimate was accepted pending more complete information. Final information produced a more accurate estimate of savings, thus raising the total savings achieved in calendar 1976 from $6,160,000 to $6,950,000. The financial impact of the error rate was adjusted by the Foundation in its second review to reflect this change.

The new Consolidated Grant System introduced in October 1975 contributed substantially to the reduction of the payment error rate. By simplifying the method of computing the basic grant, the Department decreased the amount of dollars overpaid. Both the Task Force and the Department have identified other management steps that should also have an impact on the payment error rate. Several of these steps were reviewed to determine their implementation status, although their effect on the error rate will not be discernable until the federal error rate review is complete.

The projects reviewed by the Foundation included: (1) Timely Case Closings (Nos. 21, 54), a project to stop the mailing of checks to closed cases; (2) Priority Eligibility Redeterminations (No. 28), a project which spotlights specific cases for a social worker's review, placing error prone cases first rather than

allowing the eligibility review to proceed on a random basis; (3) Implementation of a Client Response System (No. 29), a project which requires welfare recipients to respond to questionnaires concerning changes in family status or income that could affect a grant; (4) Development of an Accountability Information Base (No. 48), a project to determine what case activities absorb workers' time; (5) Development of an Improved Staff Orientation Program (No. 49), an Improved Inservice Training Program (No. 59), and an Improved Supervisory Training Program (No. 51), projects to improve the competency of social work and support staff.

Appendix 6

Human Services - Department of Public Welfare

Recommendation No. 46 - Medicaid Management Steps

Agency financial impact claim -	$15,600,000	Annual Savings/ Cost Avoidance
Review finding	13,527,300	Annual Savings/ Cost Avoidance
	1,573,361	One-time Savings

The Executive Office of Human Services and the Department of Public Welfare made the decision to expand recommendation #46, improved monitoring of medical providers, to include a series of management steps that the Department has instituted. For the first Foundation review, the Department claimed $7 million in savings based on three programs: Third Party Liability Edit, Chronic Hospital Controls, and Provider Review. This claim was not accepted by the Foundation because the financial data presented by the agency consisted largely of raw data and generally lacked sufficient explanation of the assumptions on which the savings were based. Still, the Foundation verified that the project was complete, because the mechanism for the implementation of each step was in place, and that there was a potential for documenting savings in these programs.

In the second Foundation review, a fourth program, Drug Control, was added, making the project again "in process." A new claim of $15.6 million in benefits was submitted. As a result of improved documentation by the Department, the Foundation was able to validate a substantial portion of the claim, with some savings from each of the management steps.

Each program is complex and involves many specific assumptions. The purpose of each step is to eliminate unnecessary

spending caused by a variety of factors ranging from administrative error to fraud. The successful implementation of these steps is critical to the Department's ability to contain Medicaid costs without resorting to cutbacks in services. Recommendation #46 will be held "in process" so that the Foundation can review additional programs in the future.

The review findings for each management step are as follows:

<u>Third Party Liability Edit</u>: A computer program to identify hospital bills which should be paid by Medicare and third parties other than Medicaid.

The Foundation verified $12,576,060, which is $2.5 million more than the Department's claim of annual financial benefits of $10 million. The verified figure was higher because the Department initially proceeded on the assumption that it was responsible for the deductible and 20 percent coinsurance on all Medicare bills. It was later discovered, however, that the coinsurance does not apply to the part of Medicare for which the savings were being claimed. Had the agency personnel directly dealing with the Medicaid program been involved in the formulation of the claim and documentation, such a mistake might have been avoided.

The Foundation's finding represents the financial benefits achieved over and above those savings obtained through a previous manual edit of hospital bills.

<u>Chronic Hospital Controls</u>: A program to identify overpayments and abuses by chronic care hospitals.

The Foundation verified $1,482,611 in one-time financial benefits out of a claim of $3.2 million in annual savings. The

verified savings result from the retroactive recovery of over-payments and current rate reductions identified through a special review conducted by the Department and the Rate Setting Commission.

While chronic hospital controls represent an ongoing effort in an area that has long been neglected, the audit finding differs from the Department's claim of an annual financial benefit. The Foundation did not convert the benefits resulting from the retroactive rate recovery to an annual flow of dollars since the limited number of chronic care facilities in the state makes it unclear whether the present level of recoveries will continue. The current rate reductions are also viewed as a one-time savings since hospital rates are subject to revision every year.

The Foundation took exception to $1.7 million of the claim based on the closing of five chronic facilities, pending a Department study of the present level of care these patients receive and the cost of that care to the Department.

Provider Review: A program to audit payments to Medicaid vendors to recover incorrect payments.

Of the $1.4 million claimed under this program, the Foundation verified one-time savings of $90,750 in refunds from providers who were subject to review. The verified amount represents the level of refunds achieved to date ($211,345 from July 1, 1976 through February 28, 1977) over and above the refunds which the Department would have recovered if an earlier program, Sanctions Assistance, was in effect for the same time period. Although the new initiative represents an ongoing effort the Foundation decided to count the refunds as a one-time figure. About 90 percent of the initial refunds came from an intensive audit of pharmacy billings by an outside contractor. Without more complete information on

program plans, it is difficult to determine whether the rate of return will be as high when in-house efforts are directed toward other medical providers.

The Foundation was unable to verify the Department's claim of $717,961, the projected cost avoidance under the Provider Review Program. This was an annual figure derived from the refund of overpayments or fraudulent payments uncovered by an audit of providers. The premise underlying most of the Department's claim is that bringing these violations to a provider's attention will halt these practices. While some support exists for this argument, the actual benefits cannot be measured until the Department reaudits those individuals who were sanctioned. Furthermore, the Foundation decided that there was no way to establish a cost avoidance figure that could account for the previous effort under the Sanctions Assistance program. The Foundation also disallowed the estimated deterrent effect of $717,961 of the program on other, unaudited providers.

<u>Drug Controls</u>: A program to ensure existing regulations are enforced so that the amount billed to Medicaid for purchases from discount pharmacies is not higher than the price usually charged.

The Foundation verified $951,240 in annual savings out of a claim of $1 million for the implementation of the Drug Control Program. The Foundation accepted the Department's assumptions that discount pharmacies provide 15 percent of the total amount of drugs purchased under Medicaid, and that the price of drugs at discount pharmacies averages 20 percent less than the price of the same drugs on the Medicaid fee schedule. The Foundation then applied these percentages to the cost of Medicaid drugs in fiscal 1976.

Appendix 7

Executive Office of Human Services - Department of Mental Health

Recommendation No. 77 - Reorganization of the Central Office

Agency financial impact claim -	$530,000 Annual Savings / Cost Avoidance
Review finding	0

This recommendation consisted of two elements: reorganization of the Department's regional offices and reorganization of the central office. Annual financial benefits of $410,000 were verified for the regional office reorganization during the Foundation's first review. Although the Department claimed annual benefits of $530,000 in the last quarter for the central office reorganization, the Foundation took exception to the entire amount because the Department was unable to justify its claim.

The Department's Project Status Form for the Foundation's second review contained the same claim of $530,000 for the central office reorganization. However, at the Foundation's first visit, the Department revised its claimed savings upward to $1,228,143 in annual benefits. The revised claim consisted of a reduction of $691,648 in the cost of the Family Care Program, and a reduction of 33 employees in the central office for savings of $536,495.

The Foundation had reviewed the Family Care Program portion of this claim during the first quarter and had disallowed it because it did not relate to reorganization. The appearance of the program's appropriation in the central office account was a quirk of the appropriation system, not an indication of the program's position in the central office structure. Despite this the claim was resubmitted.

The portion of the claim relating to reorganization and reduction of the central office staff initially appeared to be

verifiable, based on a reduction in personnel expenditures between fiscal 1975 and fiscal 1977, if the supporting documentation could be provided. What the Department was able to provide, however, significantly undermined the Department's claim.

One of the first pieces of information the Foundation asks for when considering a reorganization is evidence of a reorganization plan, written before implementation began, containing such things as the objectives of the reorganization, structural changes, and implementation schedule. In requesting this information, the Foundation is seeking to determine that the claimed staff reductions are not simply the result of normal attrition or the state hiring freeze.

The Department was unable to provide the reorganization plan or any written documentation on how the reorganization was to have been implemented. The Department told the Foundation that the plan had never been written down, but instead had been thoroughly developed in the minds of the commissioner and associate commissioner and verbally transmitted to personnel when the need arose. The Foundation then suggested that a detailed, after-the-fact memo describing the reorganization might substitute for the plan. A memo of this type,however, would have to be considered in conjunction with evidence that personnel levels had indeed been reduced in a pattern substantiating the claim of the reorganization. The Department, however, presented a generally worded memorandum that was inadequate as documentation of the reorganization. Furthermore, the Department provided a chart of staff levels for fiscal 1975 and fiscal 1977 in the central office that contradicted its earlier claim of personnel reductions.

The review of this recommendation indicated a lack of interest in management improvement and the review process on the part of the

Department. The Department delegated responsibility for providing documentation to staff who were not involved with the recommendation's implementation and who were not familiar with many of the fiscal issues involved. Difficulties encountered in documenting the claim suggest that the Department does not collect the information necessary for sound management.

Appendix 8

Executive Office of Human Services - Department of Corrections

Recommendation No. 143 - Increase ratio of inmates to correctional officers

Agency financial impact claim - None

Review finding - None

The Task Force estimated that the Commonwealth could save \$6.5 million by increasing the ratio of inmates to correctional officers from 1.87 inmates per officer to 3.5 inmates per officer. To achieve this higher inmate-to-officer ratio, the GMTF recommended reducing the number of correctional officers. The feasibility of such a reduction in staff was supported by comparing the Massachusetts ratio with those in other industrial states.

The Department of Corrections has rejected the Task Force's assumption that the ratio of inmates to officers is an adequate or useful measure of prison management. Among the factors cited by the Department as contributing to staff levels in the Commonwealth's prisons are architectural constraints and a prison population composed entirely of felons, unlike those of some other states.

Instead, the project has been directed toward a reduction of the Department's considerable overtime expenses (over \$2 million in fiscal 1977). This will be done through increases in staff and more efficient deployment of personnel. The Department estimates that with the addition of 101 new positions in fiscal 1978 there should be a net savings in personnel expenses of \$200,000.

Appendix 9

Executive Office of Human Services - Commission for the Blind

Recommendation No. 173 - Make sheltered workshops more cost effective

Agency financial impact claim	-	$30,000	Annual Revenue
		40,000	One-time Savings/ Cost Avoidance
Review finding	-	36,761	One-time Savings/ Cost Avoidance

The Commission operates six sheltered workshops that employ about 170 blind persons in the manufacture of items such as brooms and mops. The Task Force recommended that these workshops be closed and the workers transferred to privately run centers that employ the handicapped. According to Task Force estimates, this would have resulted in annual savings of $250,000.

The Commission decided to retain the workshops because they are unique in offering rehabilitation solely for the blind. Instead, the project was directed toward improving the cost effectiveness of the workshops through increased productivity and sales.

The agency's original implementation plan was a timetable for percentage increases in production and sales. The Commission's claim of $30,000 in annual financial benefits was an estimate of increased revenue brought in by this more aggressive sales effort. This figure was later revised upward to $60,400 upon the receipt of the latest revenue data. The one-time figure, revised to $35,532, was a cost avoidance resulting from not filling vacancies when workers left.

However, this approach overlooked the fact that expenditures had risen along with sales. At the suggestion of the Foundation, the implementation plan was changed to monitor the workshops as a business enterprise. The savings verified by the Foundation represent the reduction in the workshops' operating deficit through the first three quarters of fiscal 1977 as compared with 1976. In this instance, the review of the claimed financial benefit could help this agency clarify its approach to improved management.

Appendix 10

Executive Office of Environmental Affairs - Department of Environmental Quality Engineering

Recommendation No. 10 - Centralized department payroll, budget and bookkeeping activities

Agency financial impact claim -	$24,400	Annual Savings/ Cost Avoidance
Review finding	40,323	Annual Savings/ Cost Avoidance

The intent of the reorganization of the Executive Office of Environmental Affairs was to bring all the environmental regulatory programs under one Department. The Department of Environmental Quality Engineering, created on July 1, 1975, consisted of divisions coming from four separate agencies: the Department of Public Health, the Department of Natural Resources, the Department of Public Works, and the semi-autonomous Outdoor Advertising Board under the Office of the Secretary. The Task Force recommendation to centralize the Department payroll, budget and bookkeping activities corresponded to initial plans to structure the administrative burden of the new agency.

The calculation of the financial benefits stemming from the consolidation of the payroll, personnel, and bookkeeping functions was made by comparing the number of man-years (number of personnel multiplied by amount of time spent on activity) required to perform these tasks in June 1975 and now. The analysis showed that 3.9 fewer man-years were necessary to perform these functions after the consolidation. This difference in man-years was then multiplied by the average salary of the employees currently performing these tasks, producing a dollar impact of $40,323. The discrepancy between the agency claim and the "audit" finding occurs because the review provoked the agency to make a more detailed analysis of the savings.

Appendix 11

Executive Office of Transportation and Construction - Turnpike Authority

Recommendation No. 77 - Replace full size cars with compacts

Agency financial impact claim - None

Review finding	$ 3,000	Annual Savings/ Cost Avoidance
	39,000	One-time Savings/ Cost Avoidance

The Foundation selected this recommendation for review because it is representative of a project where savings could easily be verified but no attempt was made by the agency to determine those savings. This situation appeared throughout Transportation and Construction and in some other state agencies during the second review period. Financial benefits are one gauge agencies can use to measure this progress toward management improvement. Failure to determine savings suggests that, if management improvement is a priority in these agencies, the Task Force implementation and review process is not.

In this specific case, assuming the larger cars would have been replaced by the 1977 model of the same car, the savings figure was not difficult to derive. Once the cost of the 35 smaller cars purchased by the Authority and the likely cost of the larger cars (adjusted for 1977 car prices and a discount for large purchases based on the Authority's previous experience in buying cars) was determined, the Foundation verified a one-time saving of $39,000. This is counted as a one-time,rather than annual, figure because the Authority has no set schedule of automobile replacement and, therefore, no framework to guarantee future savings. The $3,000 in annual savings is an estimate of gasoline savings based on mileage computed by the Authority.

MASSACHUSETTS TAXPAYERS FOUNDATION, INC.

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August 1977

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